

From: "David Stephens" <dstephens@mylibertytrust.com> on 06/27/2005 02:42:19 PM

Subject: Classification of Commercial Credit Exposures

David Stephens

June 27, 2005

Comment Site Federal Reserve,

Dear Comment Site Federal Reserve :

Dear Primary Federal Regulator:

The Interagency Proposal on the Classification of Commercial Credit Exposures will likely have costs and burdens for most Iowa banks which outweigh any benefits of this proposed classification system.

Implementation of this proposal will require banks to rewrite loan policies relating to allowance for loan loss adequacy, loan administration, credit review and collection procedures - and will require substantial retraining of bank staff to implement these changes. Nearly all Iowa banks now have loan watch procedures which coordinate with the current classification system.

Current systems for most Iowa banks are adequate for identifying credit exposures under the current classification rules. Only the largest money center banks could possibly see any benefit to this "transparent" proposal of a two-dimensional rating framework which considers a borrower's capacity to meet its debt obligations separately from the facility characteristics influencing loss severity.

The resulting ratings under the new system seem no more clear than the current system, and would seem to be a significant new regulatory burden for most Iowa banks. We therefore urge the agencies to withdraw this proposal, as there is no valid reason to impose a new commercial classification system on Iowa banks at this time.

Sincerely,

Dave Stephens